




**STATE OF WASHINGTON**  
**DEPARTMENT OF SOCIAL AND HEALTH SERVICES**  
Olympia WA 98504-5000

August 30, 2002

**TO:** Marty Brown, Director  
Office of Financial Management

**FROM:** Dennis Braddock, Secretary   
Department of Social and Health Services

**SUBJECT:** 2003-05 Biennial Budget Submittal

This submittal presents the Department of Social and Health Service's second biennial request since my arrival as Secretary two years ago. The total is \$16.3 billion (all funds), representing an overall increase of \$2.2 billion – an 8 percent per year average annual increase – from the current funding level for 2001-03. We have calculated this increase after adjusting the current base for upper payment limit transactions made to public health hospital nursing homes – the “ProShare” appropriation – to accurately represent the level of the request. While the 8 percent figure may sound high compared to current inflation rates at around 4 percent, we believe this a reasonable request given the double-digit inflation now occurring in the area of health care.

Medical cost pressures have strained budgets in the agency's Medical Assistance Administration which provides coverage for 17 percent of state residents; the Aging and Adult Services Administration, which serves over 60,000 people a year; the Division of Developmental Disabilities, which has clients who are often intensive users of the health care system; the Mental Health Division, which serves the mentally ill directly in state hospitals and through contracts for community-based services; the Division of Juvenile Rehabilitation, which provides medical care for youth in custody, many of whom have costly mental health needs and/or substance abuse problems; and the Division of Alcohol and Substance Abuse, which directs dollars to local communities for those in treatment. Together, these programs represent 75 percent of the department's budget, and collectively spend over \$5 billion a year. We recognize that these spending increases have also affected other state programs – not just those within DSHS – as they have been asked to downsize their operations to offset dollars now directed to the growing cost of health care.

Nearly all of our requested increase is due to case driven increases in programs mandated by law, steps taken to comply with federal audit findings and newly imposed state and federal regulations, and agreed-upon settlements or lawsuits. To scale back the submittal as much as possible, I directed senior executives early on in the budget development process to pursue request items only if necessary to comply with these measures, or if they will save the state money or improve oversight of client safety and service delivery. Where possible, I've asked that internal cost saving efforts and management improvements be implemented immediately. Where legislative approval is needed, we have included our cost assumptions and supporting narrative with this transmittal.

Throughout the budget development process, we have actively recruited stakeholder input and have integrated feedback into the agency request. While our mission and goals have not changed, the state's

current social and economic situation requires us to focus our energy on allocating scarce resources to the most vulnerable. We submit with this transmittal a Strategic Plan for the agency that we believe will achieve this outcome.

Priorities are:

- ▲ To protect services to the most vulnerable
- ▲ Improve access to social services
- ▲ Sustain and improve the department's business infrastructure

For the next biennium, our strategic plan emphasizes our commitment to seek ways to integrate our services so the public finds “no wrong door” when they turn to us for help. The department continues to shift and adjust how it is structured to deliver services most effectively and most economically.

I look forward to working with you, the Governor, and members of policy and budget offices to refine the proposals included in this budget transmittal.